Testimony of
Craig A. Borr, President & CEO
Michigan Electric Cooperative Association
Okemos, Michigan
Before the
House Energy Policy Committee
Thursday, May 7, 2015
Lansing, Michigan

Good morning. My name is Craig Borr and I am the President & Chief Executive Officer of the Michigan Electric Cooperative Association (MECA) in Okemos, Michigan. My thanks to Chairman Nesbitt for inviting MECA to testify on Michigan's current 10% Renewable Portfolio Standard (RPS).

MECA is the statewide trade association for Michigan's 11 electric cooperatives who collectively serve more than 300,000 homes, farms and businesses throughout portions of 59 of Michigan's 83 counties [1]. Electric cooperatives are not-for-profit member-owned and controlled utilities governed by boards of directors that are elected by the membership.

My comments on renewable energy and Michigan's current RPS will be in four principal areas: (1) the leadership role Michigan's electric cooperatives are playing in renewable energy and how we are significantly exceeding Michigan's current 10% RPS; (2) some thoughts on how we can ensure that a vibrant wholesale marketplace for renewables, particularly wind energy, continues in Michigan; (3) a suggested definitional change in what qualifies as "renewable" energy; and lastly, (4) our thoughts on how proposed GreenHouse Gas (GHG) rules from the United States Environmental Protection Agency (EPA) will eliminate the need for a Michigan RPS.

Michigan's electric cooperatives are proud to be leaders in renewable energy. Michigan's electric cooperatives will be receiving approximately 20% of their total energy needs from renewable energy resources in Michigan by mid-2016. To illustrate, let me point to several specific examples. First, Cloverland Electric Cooperative, based in Sault Ste. Marie, Michigan, has one of the highest percentages of renewable energy in its portfolio of any electric utility in Michigan. As a result of ownership and operation of its own hydroelectric generating facility on the St. Mary's River, Cloverland receives more than 30% of its energy from renewable resources.

Leadership in renewable energy is also demonstrated with Wolverine Power Cooperative and its six member-cooperatives whose renewable energy commitments are already approaching nearly 20%. Even prior to an RPS statute here in Michigan, Wolverine moved forward in partnership with John Deere Wind Energy to develop the state's first utility- scale wind farm in Huron County. This $100 million wind farm has been providing renewable energy to Wolverine and its member-cooperatives since late 2007—***nearly a year prior to the RPS being enacted here in Michigan.*** Since that time, Wolverine has entered into several renewable energy agreements, including one with RES America for approximately 150 megawatts of wind power from Michigan's Thumb region. Wolverine has committed to more than 200 megawatts of wind energy produced in Michigan for use by its member-cooperatives.

Michigan's electric cooperatives are also proud to be leaders in establishing the state's first community solar project in Grawn, Michigan—a collaborative effort between Cherryland Electric Cooperative and Traverse City Light & Power constructed in 2013. Since that time, Homework's Tri-County Electric Cooperative in Portland, Michigan, has also developed a similar community solar project. I am proud to point out a number of our other member-cooperatives have constructed solar/renewable energy demonstration projects and I have attached a map to my testimony that shows the renewable energy commitments made by Michigan's electric cooperatives throughout our state.

The second area I would like to address is a current provision in the RPS statute whereby a utility can own no more than ½ of the renewable generation that it uses to meet its renewable energy goals. This provision in the current statute helps foster a vibrant wholesale market for renewable energy here in Michigan and is particularly important to smaller utilities such as electric cooperatives and municipals. This provision also encourages multiple wholesale market participants, particularly in the wind space, and creates competitive pressures and pricing.

Thirdly, MECA supports the provision of HB 4297 under section G that adds the thermal energy produced from a geothermal heat pump as a source of renewable energy. On behalf of Michigan's electric cooperatives, I want to thank Chairman Nesbitt for taking the time to meet with representatives from MECA, Midwest Energy, WaterFurnace, and Jim Roberts Builders to explore and understand the importance of geothermal heating and cooling systems. Geothermal heating and cooling systems utilize the sun's renewable energy on-site without having to move the energy across an electric grid while achieving efficiencies from 400% - 600%.

Finally, MECA believes a Michigan RPS is no longer needed due to the impending GreenHouse Gas rules that are currently being finalized by the U.S. Environmental Protection Agency (EPA). In those proposed GHG rules, renewable energy is identified as one of the four "building blocks" that electric utilities can use to reduce their GHG emissions. My point is that all utilities will need increasing amounts of renewable energy in their portfolios if they are to meet the very stringent GHG reduction targets being established by the EPA. As utilities move to a world where they are required by EPA to reduce GHG emissions, they will need increasing amounts of renewable energy in their portfolios thereby nullifying the need for a state-mandated RPS.

Michigan's electric cooperatives are proud to be leaders in renewable energy and I am hopeful that the examples provided this morning help the Committee better understand why we believe a Michigan RPS is no longer needed.

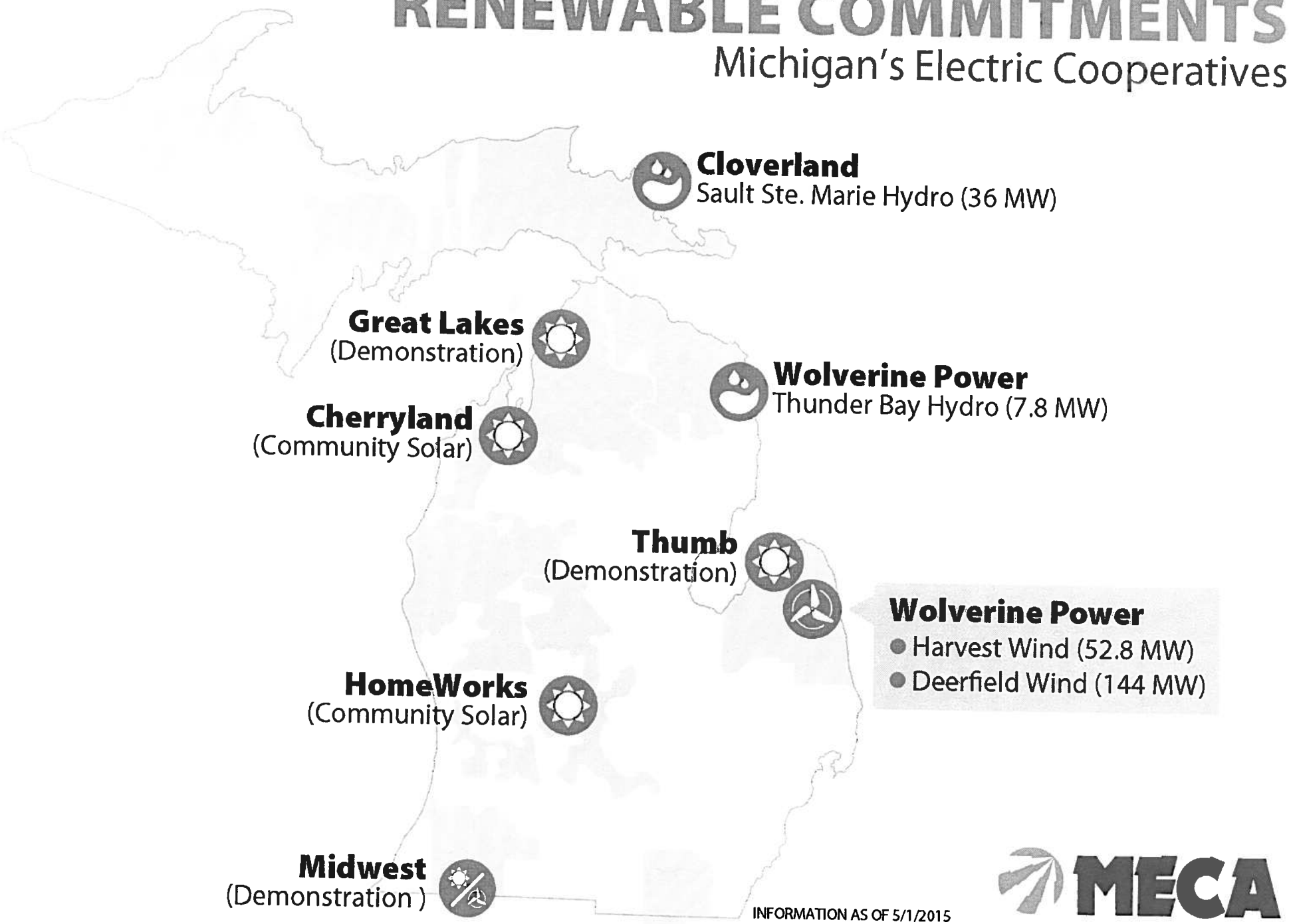
On behalf of Michigan's electric cooperatives, I would like to thank Chairman Nesbitt and members of the House Energy Policy Committee for your time today. I am happy to answer any questions. Thank you.

[1] MECA's membership consists of the following: Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, HomeWorks Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, Thumb Electric Cooperative, Wolverine Power Marketing Cooperative, and Wolverine Power Supply Cooperative, Inc.

Michigan's electric cooperatives maintain over 36,000 miles of line to serve approximately 310,000 meters. This results in an average of approximately eight customers per mile of line. This compares to approximately 35 customers per mile for the average investor-owned utility and over 90 customers per mile for some municipal systems. As for annual kWh sales per mile of line, the cooperatives average 60,500; the IOUs 725,000; and municipals top the scale at 1,950,000 kWh per mile per year. Approximately 95% of cooperative customers are residential. Several cooperatives serve a considerable number of seasonal homes and cottages where annual usage is low, but maintenance and the annual cost to serve may be higher.

RENEWABLE COMMITMENTS

Michigan's Electric Cooperatives



INFORMATION AS OF 5/1/2015

MECA